




*Amishel Robert 1999*

 **Sask Water**



# MANDATE AND STRUCTURE

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*The Water Corporation Act*, proclaimed on July 1, 1984, established the Saskatchewan Water Corporation (Sask Water) to manage, administer, develop, control and protect the water and related land resources of Saskatchewan. The corporation is an agent of the Crown and is managed by a board of directors.

Sask Water, with its head office located in Moose Jaw, operates with approximately 235 employees. The corporation has three divisions: Water Resource and Infrastructure Management, Utility and Engineering Operations and Irrigation and Agricultural Services. Corporate support services provide financial, legal, human resources, communications and information systems support.

Five water resource offices, in Yorkton, Swift Current, North Battleford, Nipawin and Weyburn; Irrigation and Agricultural Services offices in Outlook and Swift Current; a Rural Water Quality office in Saskatoon; and offices in Prince Albert and Watrous serve Saskatchewan residents throughout the province.

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# LETTER OF TRANSMITTAL

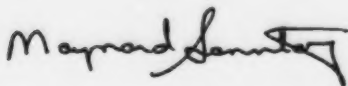
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Regina, Saskatchewan  
March 30, 2000  
To Her Honour  
The Honourable Lynda Haverstock  
Lieutenant Governor of the  
Province of Saskatchewan

Madam:

I have the honour to submit herewith the Annual Report of Sask Water (Saskatchewan Water Corporation) for the year ended December 31, 1999, including the financial statements in the form approved by the Crown Investments Corporation and audited by PricewaterhouseCoopers LLP, all in accordance with *The Water Corporation Act*.

I have the honour to be, Madam,  
Your obedient servant,



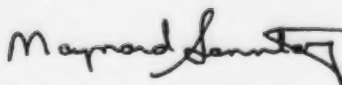
Maynard Sonntag

*MINISTER RESPONSIBLE  
CHAIR, BOARD OF DIRECTORS*

## MINISTER'S MESSAGE

As minister responsible for Sask Water, I'd like to take this opportunity to congratulate and thank all the employees for another year of dedication and hard work.

From Nipawin in the north to Rafferty in the south, the contributions of Sask Water employees have ensured the corporation succeeds through both the good and the tough times.



Maynard Sonntag

MINISTER RESPONSIBLE

CHAIR, BOARD OF DIRECTORS



## MESSAGE TO STAKEHOLDERS

The past year was a challenging one for Sask Water. In addition to the daily issues faced conducting our routine operations, the corporation encountered many significant challenges, including extreme runoff in the Avonlea and Souris River basins, and a setback in the province's potato industry.

The bankruptcy of the Lake Diefenbaker Potato Corporation (LDPC) gravely affected the corporation's financial performance in 1999. This private company was the largest grower and processor of potatoes in the province and was a major potato storage tenant of Sask Water. The loss of this storage revenue, as well as an outstanding mortgage and debenture, left Sask Water facing a substantial loss.

Certainly, any loss is a setback for the corporation. But it's important to point out the countless hours Sask Water staff spent working to lessen the corporation's losses associated with the bankruptcy. Led by president Ron Styles and vice-president Dale Sigurdson, staff in Sask Water's Irrigation and Agricultural Services division worked diligently with creditors to minimize Sask Water's exposure. Accounting and legal staff were also key players. While dealing with this process, Sask Water continued to work with existing growers to help rebuild and strengthen the province's potato industry.

A key part of the bankruptcy process saw Sask Water buy the Lucky Lake fresh pak plant and sell it to Pak-Wel Produce of Alberta. Once the title transfer is complete, Pak-Wel plans to operate the plant in Lucky Lake, which will help maintain employment and the resulting economic spinoffs.

With this deal, as well as other transactions stemming from the bankruptcy, Sask Water was able to limit losses to \$5.2 million—\$3.5 million in realized losses plus an unanticipated \$1.7 million write-down of assets. Although some paperwork relating to this bankruptcy is still outstanding, the corporation is looking optimistically toward the future.

Also in 1999, our utility and engineering branch built new projects in Pierceland and Grand Coulee, major construction was initiated to replace the Buffalo Pound Lake control structure near Moose Jaw, a provincial water strategy was released and Sask Water helped forge Saskatchewan's first-ever water co-management agreement. Our rural water quality program continues to grow and thrive and we proudly supported more than 100 different community groups and organizations in 1999, including serving as a platinum sponsor of the provincial men's curling tankard held in Meadow Lake in February. We have highlighted these achievements, as well as the many individuals, groups and organizations Sask Water supports and works with, in this annual report.

Now it's time to turn the page to a new year and a new century. We do so confident in what we've accomplished and overcome in the past, and look forward to meeting new challenges and opportunities in the future. Sask Water's 235 employees will continue to work together as a team, along with our partners and stakeholders, to achieve our goals and objectives and fulfill our role as the province's water manager.

SASK WATER EXECUTIVE MANAGEMENT TEAM

THE FOLLOWING SERVED AS DIRECTORS OF SASK WATER IN 1999:

Honourable Maynard Sonntag  
MINISTER RESPONSIBLE, CHAIR

Honourable Carol Teichrob  
VICE-CHAIR (to Sept 16/99)

Honourable Jack Hillson  
VICE-CHAIR (to Sept 17/99)

Donnett Elder  
FILLMORE

Steve Tokarski  
WILSON

David MacLeod  
REGINA

Janet Folk  
REGINA

Dennis Zerr  
MORINE JAW

Dan Palsich  
PARADISE HILL



Standing (from left): Dennis Zerr, David MacLeod, Donnett Elder, Dale Bloom, Corporate Secretary, Janet Folk, Steve Tokarski, Dan Palsich  
Seated (from left): Honourable Jack Hillson, Vice-Chair, Ron Styles, President, Honourable Maynard Sonntag, Minister Responsible, Chair

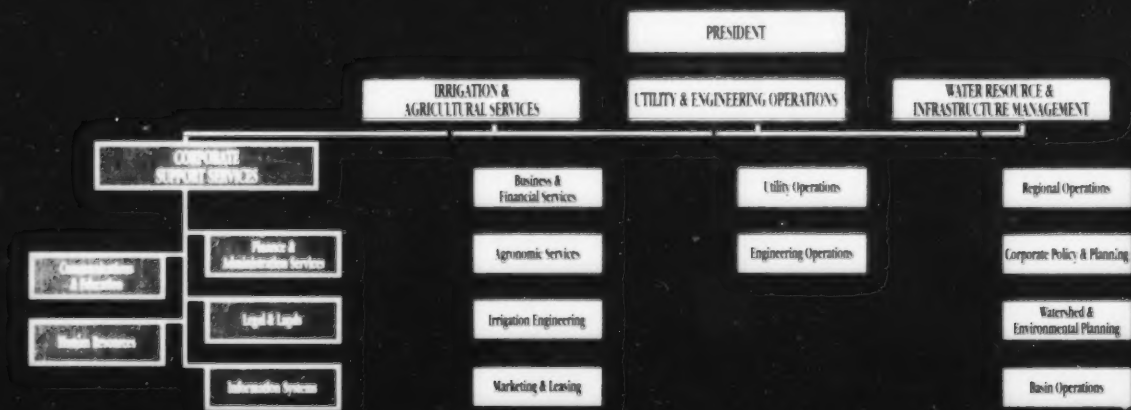
SASK WATER ORGANIZATIONAL CHART AS OF DECEMBER 31, 1999

Ron Styles  
PRESIDENT

Dale Sigurdson  
VICE-PRESIDENT,  
IRRIGATION & AGRICULTURAL  
SERVICES

Wayne Phillips  
VICE-PRESIDENT,  
UTILITY & ENGINEERING  
OPERATIONS

Wayne Dybvig  
VICE-PRESIDENT,  
WATER RESOURCE AND  
INFRASTRUCTURE MANAGEMENT



# WATER RESOURCE AND INFRASTRUCTURE MANAGEMENT

*Several major initiatives were accomplished by the Water Resource and Infrastructure Management division in 1999. This division provides water resource monitoring, forecasting, planning and allocation approvals. Sask Water programs are delivered to clients through regional offices under the direction of regional operations director Bryan Ireland. The division represents Saskatchewan on all interprovincial and international water management issues. Led by vice-president Wayne Dybvig, Sask Water signed the province's first water co-management agreement, led other agencies on the development of the province's Water Management Framework and continued work on the interprovincial Upper Assiniboine River Basin Study in 1999.*

## A Water Management Action Plan

What do you get when you bring together representatives from a dozen provincial agencies? That's exactly how Saskatchewan's Water Management Framework was initiated. The document, which includes 58 actions relating to protection of water and wetlands, management and development of the resources and co-ordination of government activities and public involvement in decision making, was released in January 1999.

Sask Water, with primary responsibilities for water management in Saskatchewan, is the lead agency for 32 of the actions and shares four actions with Saskatchewan Environment and Resource Management (SERM). Provincial agencies responsible for implementing the remaining actions include: SERM, Saskatchewan Wetland Conservation Corporation; Agriculture and Food; Municipal Affairs, Culture and Housing; Intergovernmental and Aboriginal Affairs; Saskatchewan Research Council; and Health.

A priority for Sask Water is the establishment of a permanent intra-government committee to help administer the Framework. This item is a joint action with SERM. Members of the committee will have considerable influence over the entire Framework implementation process, and how water is managed in Saskatchewan in the years to come.

## Partnership Forged with First Nation

A historic event for Sask Water in 1999 was the signing of a water co-management agreement with the English River First Nation – the first water co-management

agreement signed in Saskatchewan.

Sask Water vice-president Wayne Dybvig and chief Archie Campbell and council worked tirelessly on the agreement, recognizing that protection of the water resource is integral to the continuation of the band's traditional economies of hunting, trapping and fishing.

The agreement provides a mechanism for the English River First Nation to participate in the planning and management of the water that affects their cultural, economic and social way of life and includes all water bodies situated within its traditional lands. The 1100-member band is located along the Churchill River at Patuanak in northern Saskatchewan, approximately 100 kilometres north of Beauval.

## Water Quality Program Continues to Grow

When Dave and Brenda Bender gave up the city life for a taste of country living, foul water wasn't the flavour they had in mind. But after relocating from Lethbridge to their Shaunavon-area acreage four years ago, they soon realized that's just what they had acquired. Their iron-heavy water smelled and caused yellowish-orange stains in their sinks, toilets and on their laundry.

The Benders eventually installed an iron filtration system to handle the aesthetic problems. The water still took some getting used to, but nobody else was complaining, so they felt it was just a matter of adaptation.

It wasn't until the Benders were considering establishing a commercial greenhouse that they got an accurate picture of their water. After receiving an inadequate water analysis from a private company, Brenda turned to Sask Water, contacting rural water quality technician Randy Beler in Swift Current.

Sask Water's tests uncovered high degrees of alkalinity, manganese and sodium sulphate in the Bender's drinking water. The old well's iron casing was also causing problems. Randy suggested the Benders add a reverse osmosis system or distiller to the iron filtration system they already had in place. The Benders are now enjoying water that tastes, smells and looks good.

In addition to the Benders, Sask Water's rural water quality program served 332 other clients in 1999 and is available to anyone relying on a private water supply, including residents of trailer courts, villages and hamlets. The program is easily accessible through Sask Water offices throughout the province.



## Residents Caring for Their Lakes

Sask Water signed agreements with the Stewards of Jackfish and Murray Lakes and Friends of Good Spirit Lake in 1999. These groups consist of cottagers and other interested individuals and agencies who want to help monitor and improve water quality in their lakes.

During the year, Sask Water assisted volunteers with water quality monitoring and sample collection and helped prepare reports and newsletters on monitoring activities. A major benefit of these groups is that they provide local landowners and lake users with a forum to discuss issues of common interest as well as providing Sask Water with an avenue to promote responsible water management.

Board members with the Stewards of Jackfish and Murray Lakes include Dave McDonald (chairman), Ray Nolin, Cheryl Rann, Bunny Libbey, Millie Dament, Glenn Lowes, Terry Seime, Terry Williams, Howard Kirby, Ray Wandler, Phyllis Lowes, Winston Tait and Joyce Torry.

Friends of Good Spirit board members include Darryl Deighton (chairman), Eugene Wiwchar, Lorne Plaxin, Jim Hupka, George Korman, Bernard Bazarski, Bill Anaka and Arnold Beckta.

Sask Water also continues to act as a technical advisor to the Big Shell Lake Watershed Stewardship Association as the group continues its community stewardship project. Working with other provincial and federal agencies, Sask Water provided advice to the board on stream restoration and lake stabilization, provided analysis of riparian protection projects, gave a presentation at the association's annual general meeting and wrote articles for their newsletter.

## Sask Water Honored to Give Keynote Address

Sask Water president Ron Styles was honored to give the keynote address at the 1999 Provincial Association of Resort Communities (PARCS) annual conference held in Saskatoon in October. PARCS is the voice for Saskatchewan resort property owners and is therefore an important stakeholder group for Sask Water. Sask Water was further honored when regional office manager Don Dill was awarded the PARCS Recognition and Appreciation Award presented for outstanding leadership, co-operation and support to PARCS. Don works in Sask Water's North Battleford office.

## Runoff Varies Throughout Province

Co-operation and communication were key in Sask Water's basin operations unit during spring runoff. Regardless of the anticipated scope of the runoff event, advance preparations and co-ordinated actions and communications between various government departments, local agencies and Sask Water help ensure the impacts of any significant runoff events are minimized as much as possible.

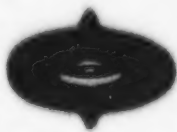
Two examples in 1999 included runoff in the Avonlea Creek basin and the Souris River basin. In Avonlea, intense thunderstorms and rainfall led to the highest ever recorded peak on Avonlea Creek. High flows downstream exceeded the Avonlea Creek channel and caused extensive agricultural flooding. The local campground and golf course were also flooded.

On the Souris River, well above-normal runoff and significant rains maintained above-normal flows into Boundary, Rafferty and Alameda reservoirs. Runoff from Long Creek basin was diverted into Rafferty to provide downstream flood protection and flows from Moose Mountain Creek filled Alameda Reservoir by early June. Although a few roads downstream of the city of Estevan were flooded, further damage was avoided and the flow and peak was reduced by more than 70 per cent in the river below Rafferty dam.

In both instances, Sask Water's basin operations team, led by Alex Banga and supported by other Sask Water staff, worked diligently tracking and predicting water flows and communicating this information to affected municipalities, businesses and often by personal contact with affected landowners. Many Sask Water hydrometric technicians worked day and night during spring runoff, travelling to affected areas, verifying water levels and flows and talking with rural municipalities and other local officials.

Staff based in Moose Jaw's forecast centre were a critical link, monitoring hydrometric stations throughout Saskatchewan in order to provide the most up-to-date data on the spring runoff and summer rainstorm situation. Sask Water provided monthly province-wide news releases of overall flood forecasts and issued media advisories regarding spot flooding and/or controlled releases, in an effort to ensure accurate, timely information in the interest of public health and safety.

*"We want to be part of water management decisions on our lands and we also want to learn ways to ensure its sustainability for generations to come."*

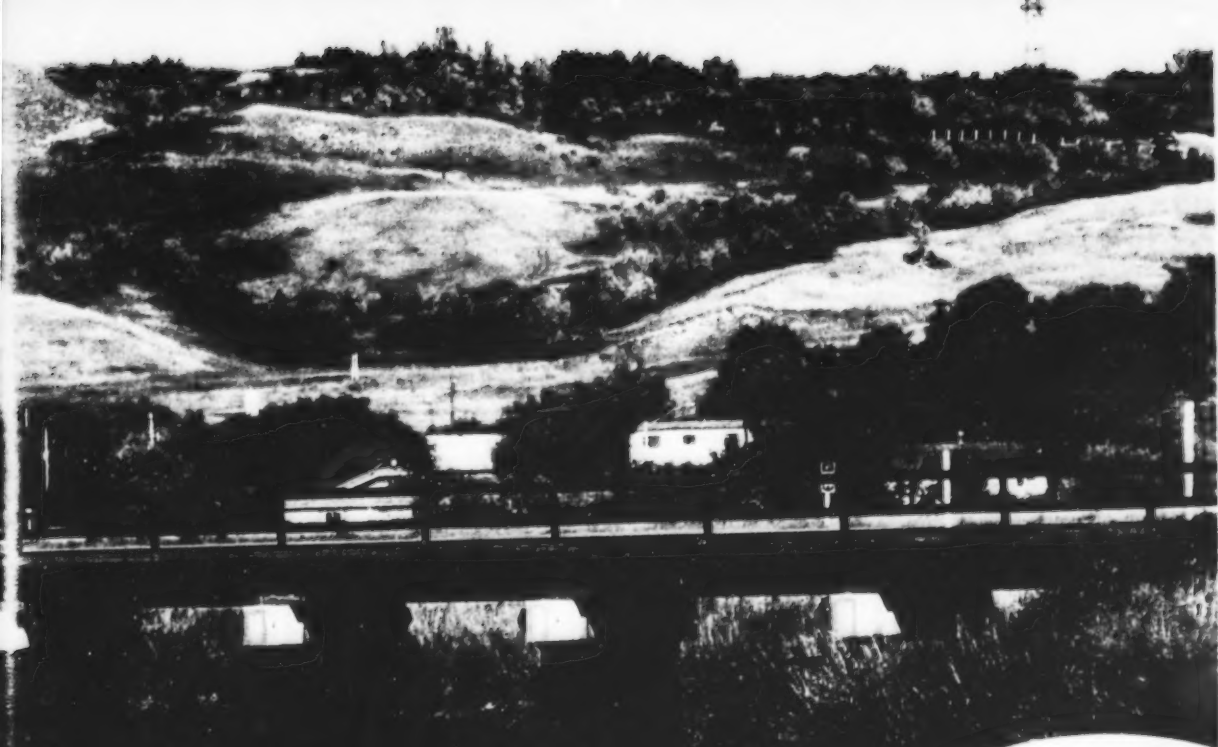


*"We believe this co-management agreement allows for both of these goals to be achieved."*

*-Chief Archie Campbell*

*ENGLISH RIVER  
FIRST NATION*





***E**nglish River First Nations  
chief Archie Campbell and  
Sask Water minister  
Maynard Sonntag signed  
the province's first-ever  
water co-management  
agreement in May.  
The 1,100 member band is  
located along the Churchill  
River at Patuanak in  
northern Saskatchewan,  
approximately 100  
kilometres north  
of Beauval.*

The rest of the 1999 spring runoff varied throughout the province, from below-normal north of the Qu'Appelle and South Saskatchewan River basins to above-normal flows throughout much of the southeastern and south-central area of the province. Dry conditions throughout the year in northern Saskatchewan ensured flows in the Churchill basin remained at below-normal levels throughout the year.

## Watershed Management Planning

Watershed management plans, developed in consultation with stakeholders, establish the goals for managing our province's water resources. They are the basis for addressing often competing demands for these resources, as well as for protection of the aquatic environment. Betty Collins, director of watershed and environmental planning, oversees this process for the corporation.

### BASIN STUDY NEARS COMPLETION

During 1999, the third year of the Upper Assiniboine River Basin Study, Saskatchewan, Manitoba and the federal government worked towards completing the technical studies. Each of the six local watershed committees met five times throughout the year to learn about the technical findings and express their viewpoints on directions for water management in the basin.

In June, approximately 50 local government representatives from Saskatchewan and Manitoba participated in a workshop to explore ways to address concerns about unauthorized drainage. Groups represented included rural municipalities, conservation districts, watershed associations and conservation area authorities. Discussion focused on understanding problems with unauthorized drainage and possible solutions in the areas of compliance and enforcement of legislation, alternatives to drainage, increasing awareness of problems and local involvement in planning, maintenance and authorization of drainage development.

Also in 1999, technical reports were completed on the geology and groundwater resources of the basin, wildlife use of the basin and a literature review of available information on water quality. Also completed

were an analysis of the water quality sampling from 1981 to 1997 near Kamsack, development of a hydrological model for the basin and analysis of annual wildlife habitat surveys.

Basin residents will have an opportunity to review and discuss the study results when the study wraps up in June 2000.

### WORKING TOGETHER TO SOLVE WATER PROBLEMS

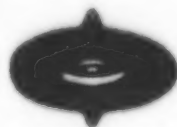
As a result of above-normal precipitation in southeastern Saskatchewan and southwestern Manitoba over the last three years, a number of stakeholder groups in the two provinces have established an informal association to address drainage and flooding issues. These groups include the RMs of Albert, Arthur, Edward, Pipestone and Cameron in Manitoba, RMs of Antler, Maryfield and Storthoaks in Saskatchewan as well as the Antler River Wildlife Group, Ducks Unlimited, Keystone Agricultural Producers, Manitoba Cattle Producers, Maple Lake Hay Growers, Redvers Wildlife Federation, Saskatchewan Association of Rural Municipalities, Southeast Stock Growers, Souris Valley Irrigators, Souris River Water Commission, West Souris Conservation District and four individual landowners.

On behalf of Saskatchewan, Sask Water is assisting the group with the development of a planning process to find long-term solutions to the local water problems. The process was initiated in 1999 and will continue throughout 2000. This is the first time such an interprovincial initiative has been launched.

### DO YOU KNOW YOUR WATERSHED?

Working toward a common goal was the theme at an educational watershed workshop held in Havre, Montana, called "Know Your Watershed". Sask Water co-operated with various provincial and Montana state agencies to plan the event attended by 200 American and Canadian citizens. The workshop explored many of the complex water management issues facing residents in the Milk River basin in Canada and the U.S. People at the workshop expressed interest in continuing co-operative watershed planning to learn and understand each other's needs and interests and pledged to work together in this international watershed.

*"I've never seen a water report like that, with a thorough analysis and guidelines too. I had asked Sask Water water quality technician Randy Bielec some*



*questions and he answered every one of them. I told him that as far as I was concerned he got an 'A' for his work."*

*—Brenda Biender*

STAKEHOLDER  
RESPONSE

## UTILITY AND ENGINEERING OPERATIONS

*The past year was full of activity for Utility and Engineering Operations. This division provides engineering and project management services to develop water and wastewater facilities and flood control and irrigation water supply works. The division also operates a number of water and wastewater treatment utilities which serve industrial, community and rural clients. Under the leadership of vice-president Wayne Phillips, chief engineer Bill Duncan and utility operations director Mart Cram, the division worked on several construction projects around the province. Some were completed in 1999, while others will carry over to 2000.*

### **New Water Supply System for Pierceland**

The Pierceland water supply system and treatment plant is one example. The village of Pierceland had been plagued by constant quantity and quality problems due to the use of shallow wells and sandpoints for individual residences. In consultation with Sask Water, the village decided to go ahead with the \$1.382 million Sask Water project to help ensure a reliable supply of high quality water. Pierceland mayor Jim Krushelnitzky and his council worked closely with Sask Water engineers and utility staff to ensure the design and capacity would adequately serve the current and long-term needs of the community, located approximately 105 kilometres west of Meadow Lake. Sask Water financed and will operate the water treatment plant and raw water supply works, while the village installed the distribution system.

The water treatment plant will use a conventional groundwater treatment process which will reduce high concentrations of iron and manganese common to the area.

Expected to be complete by spring 2000, the system will consist of a well, 2.3 kilometres of raw water supply line, a water treatment plant and storage reservoir. The village has also installed approximately 7,700 metres of distribution piping with connections to 220 households. The project will mean a definite improvement to the quality of life for Pierceland residents today and for the next 30 years.

### **Ensuring Water for Moose Jaw and Regina**

Buffalo Pound Lake is the major source of treated water for the cities of Regina and Moose Jaw and other small communities which account for approximately 25 per cent of the province's population. The lake also

supplies major industrial users in the area. Water is released from Lake Diefenbaker and is conveyed through the upper Qu'Appelle River channel to Buffalo Pound Lake.

Sask Water owns and operates the Buffalo Pound Lake control structure and related works originally constructed in 1939. Replacement of the control structure, located northeast of Moose Jaw, was initiated in 1999 as part of a plan to upgrade the impoundment works and help ensure the area's water supply is maintained. In 2000 the structure will be completed and the dam raised approximately 0.5 metres.

### **Park Patrons Pleased with Pump**

One of the busiest provincial parks in the province is located at Pike Lake, 24 kilometres southwest of Saskatoon. Water levels in Pike Lake are maintained by pumping water from the South Saskatchewan River. However, for the past few years, water depths at the pumpsite have been shallow as a result of a natural shift in the course of the river. Sask Water worked in partnership with SERM, owners of the park, to find a solution to this problem and restore sufficient water levels for the enjoyment of the park patrons. Local cottagers were also consulted.

Sask Water constructed a 280-metre-long spur dyke designed to divert flows of the South Saskatchewan River to the pumpsite on the west side of the waterway. Water is delivered via a supply canal to Pike Lake, about 2.5 kilometres west of the river.

The cost of the work was jointly funded by Sask Water and SERM. Thousands of boaters, swimmers and other water enthusiasts will now enjoy their summers with lots of water for their favorite activities.

### **Flood Protection Improved for Lumsden**

Following the extreme floods of 1969 and 1974, the town of Lumsden and the province constructed a floodway to protect the community in the future. Over time, some of the older portions of the floodway system deteriorated and required reconstruction. Lumsden mayor Duane Klippenstine approached Sask Water about the problem, and together the two parties came up with a plan that was both cost effective and provided sufficient protection for the town in case of extreme flooding.

The work consisted of approximately 0.5 kilometres of channel construction and adjacent dyking to provide

flood protection works. The diversion was an important part of the construction, as it moved the dykes away from the Lumsden school grounds and to a more stable location.

## Water Flowing to Grand Coulee

When the village of Grand Coulee needed someone to help solve a water supply problem, it came to Sask Water. The village's water pipeline could no longer adequately serve its residents, so Sask Water designed, financed and installed a new, larger capacity pipeline that will meet the needs of Grand Coulee's 370 residents for the next 20 years. Sask Water will own and operate the system for the village.

## Pipeline Projects Continue to Grow

An assured supply of high-quality water is something many people in the Wakaw-Humboldt and Melfort areas have been enjoying for the past few years. The Wakaw-Humboldt project, built in 1996, serves clients in the communities of Hoey, St. Isidore-de-Bellevue, Domremy, Wakaw, Bruno, Humboldt, Muenster, Annaheim, Lake Lenore and the rural municipalities of St. Louis, Bayne, Humboldt, Fish Creek, St. Peter, Invergorden, Hoodoo and Lake Lenore. The Melfort project, built in 1994, serves people in and around Melfort, Beatty, Kinistino and Weldon.

Since the original construction, response to the projects has been overwhelming. Lloyd Wedewer is the administrator of the RM of Hoodoo and serves as secretary for the North Central Rural Pipeline Association, which represents five area RMs. NCRPA was formed in response to the Wakaw-Humboldt line, and its role is to facilitate water service to rural families. Lloyd has heard nothing but positive comments from people along the pipelines. He says not only does the water taste and smell better, area residents have cleaner laundry, thanks to superior water delivered by pipeline.

In 1999, more than 100 new households connected to these systems - 58 on the Wakaw-Humboldt line and 50 on the Melfort line. Both systems still have the capacity to serve even more users.

## Infrastructure Maintenance Ongoing

In addition to constructing new projects, Sask Water owns, operates, and maintains a number of water storage projects throughout the province. These works

are considered public policy projects, since services to operate and maintain them are provided by Sask Water with no direct cost to the users. Since formation of the corporation in 1984, 45 water impoundment/conveyance facilities have been constructed or acquired from other agencies. The various facilities, from small lake level control works to high earthfill dams, are used to manage the provincial surface water resources.

In addition to ongoing annual operation and maintenance, Sask Water must rehabilitate these aging facilities to ensure their continued operation, and more importantly, to ensure they remain safe. The average age of the works exceeds 35 years with several facilities built more than 60 years ago. In addition to nearing the end of their intended design lives, some of these facilities are under-designed with respect to current design criteria. Sask Water has embarked upon a program to upgrade these works.

In 1999, rehabilitative work was undertaken on several structures, including Moose Mountain Dam, Emma Lake Diversion (Anglin Lake Pump Station), Lumsden Flood Control Dykes, and along various reaches of the Qu'Appelle River Conveyance System. Detailed safety inspections were completed at Darmody, Dellwood, Zelma, Moose Mountain and Summercove dams. Maintenance or investigative work was also conducted on Avonlea Dam, Chicken Lake Weir, Kipahagan Lake Weir, Makwa Lake Control, Hugonard Dam, West Poplar Dam, Tee-Pee Creek Diversion Dyke and Ruby Lake Control Structures, Scott Dam, Esterhazy Dam, Zelma Dam, Kingsway Dam and Katepwa Lake Control.

### GARDINER AND QU'APPELLE RIVER DAMS

Sask Water is responsible for the operation and maintenance of the Gardiner and Qu'Appelle dams, which impound Lake Diefenbaker along the South Saskatchewan River. The current combined replacement value of these facilities is approximately \$1 billion. In 1999, Sask Water spent approximately \$750,000 for the on-site operation, maintenance and technical monitoring of these dams.

Gardiner Dam is ranked the largest dam in Canada and the ninth largest earthfill dam in the world, and is therefore a significant tourist attraction for the province. Among the thousands of tourists that visited the dam in 1999, Sask Water hosted members of the Canadian Society of Civil Engineers, numerous school classes, university engineering students and international delegates from China and Ethiopia.



*"We are most appreciative of Sask Water's commitment to ensure an adequate and safe water supply for the city of Moose Jaw."*

*-Ray Doughton*

*Moose Jaw Mayor*



*Sask Water partnered with the town of Lumsden on a construction project in 1999. Over time, some of the older portions of Lumsden's floodway system had deteriorated and required reconstruction. The work consisted of channel construction and adjacent dyking to provide improved flood protection.*



#### RAFFERTY AND ALAMEDA PROJECTS

Sask Water is also responsible for the Rafferty and Alameda dams, the water retention facilities near Mainprize Park, the Souris River channel improvements, a wetland project (duck pond) below Rafferty Dam and the Boundary-Rafferty diversion works. Sask Water also owns and administers the land adjacent to the Rafferty and Alameda reservoirs. The dams and related facilities are operated, maintained and monitored as an integrated water management system. In addition to serving as flood-control facilities, Rafferty and Alameda reservoirs allow Saskatchewan to conserve its share of Souris River Basin flows for year-round multipurpose uses.

Physical maintenance and technical monitoring at the Rafferty and Alameda projects continued in 1999. Surface and sub-surface geotechnical and structural instrumentation installations were monitored to ensure the long-term integrity of these facilities, and thus public safety. Approximately \$400,000 was spent on these activities.

#### Northern Operator Training Continues

Sask Water plays a key role assisting communities in northern Saskatchewan develop and maintain adequate water and wastewater systems. In 1999, Sask Water provided project management services to the Department of Municipal Affairs, Culture and Housing for water and sewer systems in northern communities. Services included technical advice to communities for

conceptual and feasibility studies, project management during the design and construction of the facilities under the Northern New Facilities Assistance and Northern Municipal Water Assistance programs, and assistance with the startup and operation of the constructed systems.

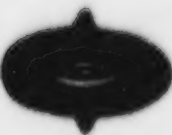
Through a contract with Indian and Northern Affairs Canada, Sask Water continues to provide training and technical support to operators of First Nations' water and wastewater systems. In 1999, services were provided to 59 First Nation reserves. Technical advice was also provided to 11 northern communities.

#### Utilities Serve Various Interests

Sask Water also owns and operates various multipurpose water supply and sewage treatment projects. These works serve municipal, agricultural, industrial, recreational and wildlife requirements through pipeline, pump stations, surface water delivery systems and sewage treatment and disposal systems.

The works are operated by Sask Water's utility staff and currently serve 33 industrial, 42 municipal and 994 domestic users. The combined municipal population supplied is approximately 37,000.

The total volume of water supplied by Sask Water to pipeline customers decreased by 9.5 per cent in 1999 to 15,448 dam<sup>3</sup> (12,524 acre-feet). This was due to an decrease in the diversion of both raw and treated water.



*"Everybody's happy.  
There's always other  
worries in the  
world, but the water  
problem is solved."*

*—Lloyd Wedewer*

*ADMINISTRATOR, RM  
OF HOODOO*

# IRRIGATION AND AGRICULTURAL SERVICES

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*The Irrigation and Agricultural Services division spans a variety of areas. This division provides market development, agronomic advice, research and demonstration and irrigation engineering support. The division operates corporation-owned Luck Lake and Riverburst irrigation projects as well as potato storage facilities at Riverburst, Broderick, Tullis and Lucky Lake. Vice-president Dale Sigurdson, together with director Karen Daku, agronomic services manager John Linsley and irrigation engineering manager Len Erickson, worked together with all LAS staff during what was a very busy and productive 1999.*

## Program Helping Produce Superior Spuds

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Sask Water and its grower partners marketed approximately 407,400 hundred weight of potatoes in the spring of 1999.

The corporation also continued its strong crop share program, working with growers in the Lake Diefenbaker area on 898 acres of potato production, with its own share totalling 687 acres.

Fortunately for Saskatchewan producers, disease occurrence, poor yields and reduced acreage outside Saskatchewan are expected to increase prices for the 1999 crop.

Saskatchewan is one of the few areas left that can produce quality, disease-free seed. This can be partly attributed to Sask Water's strong agronomic program. Sask Water potato agrologist Connie Achtymichuk worked closely with new and existing growers in 1999, giving tips to ensure the highest quality potato crop possible. With several years of experience and highly respected in western Canada's potato circles, Connie's technical and practical experience is making a positive contribution to the province's fledgling potato industry. Plans are to continue working as a team with existing and potential growers, including the Saskatchewan Seed Potato Growers Association, to build a sustainable potato industry for the province.

The potato initiative's business plan for the 2000 crop year focuses on expanding its involvement in industry development activities, continuing to expand its client base through the use of the crop share production program, and, increasing storage use through improved marketing and storage lease rate reductions, while continuing to provide its current agronomic, equipment leasing and marketing services.

## Technology Improving Efficiency

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A Differential Global Positioning System combined with a Geographical Information System is speeding things up for Sask Water senior agrologist Garth Weiterman and crew. They use the technology to do detailed soil salinity and topography mapping for irrigation certification, irrigated soil monitoring, hog manure management, precision agriculture projects and accurate acreage measurements. These systems allow Sask Water to cover a lot of ground both accurately and quickly.

## Irrigators Working for Irrigators

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Rush Lake irrigator Carl Siemens served as chair of the Irrigation Crop Diversification Corporation (ICDC) in 1999. ICDC is a relatively new organization responsible for irrigation research and demonstration in Saskatchewan. Irrigators contribute 35 cents per acre toward irrigation R&D and, in return, direct their own work and co-chair the Saskatchewan Irrigation Diversification Centre (SIDC) at Outlook along with Sask Water and PFRA.

A strategic plan *Challenges and Opportunity; A New Era in Irrigation Research and Demonstration in Saskatchewan*, was developed by provincial ICDC delegates as well as industry and government representatives. A more detailed SIDC operational plan is now in draft stage.

ICDC directors for 1999 included John Konst, Dale Ewen, Darryl McGregor, Don Fox, Ken Plummer, Gordon Kent and Sask Water representative John Linsley.

## Agrologists are Available to Help

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Les Bohrsen and Korvin Olfert are Sask Water agrologists based in Swift Current. Seconded to ICDC, both men work directly with irrigators throughout the southwest. In 1999, Les worked with Consul irrigator Blair Backman to set up a sprinkler irrigated forage demonstration site on the shore of Cypress Lake. A similar, previous demonstration at Maple Creek showed a 400 per cent improvement in water use efficiency and led to 450 acres of conversion from flood to sprinkler irrigation in the area. Les and Korvin also organized a series of pocket gopher control meetings attended by more than 150 farmers. Pocket gophers can be a serious problem, especially in irrigated alfalfa.



Another Sask Water agrologist working for ICDC is Ian Bristow in Outlook. Ian combines ICDC crop demonstration work with crop variety testing at SIDC.

### **Busy Year for Irrigation Association**

The Saskatchewan Irrigation Projects Association (SIPA), under chairman James Harvey, recorded another busy and successful year in 1999. Sask Water minister Maynard Sonntag gave the keynote address at the group's annual meeting in Swift Current. The group also met with the minister earlier in the year to discuss a wide range of irrigation issues. SIPA has been in contact with Sask Power, Sask Crop Insurance, Sask Assessment Management Agency and Sask Water to promote the interests of irrigators. SIPA was also involved in the consultations surrounding proposed changes to *The Irrigation Act, 1996*.

SIPA directors in 1999 included Ron Tittle, Willie Karwandy, Don Fox, Jarrod Klassen, Leo Tomasiewicz, Sandra Bathgate and Michael Millar.

### **Spring Rains Reduce Demand for Water**

Due to frequent spring rains, water delivery was down in 1999. On average, 3.5 inches of water were delivered for each irrigated acre compared with the 1998 average of 9.5 inches. This water represents use by three irrigation districts. In the Luck Lake Irrigation District, 3,031 cubic decameters (dam<sup>3</sup>) were delivered to 8,764 acres of irrigation, 71 dam<sup>3</sup> to Ducks Unlimited and 52 dam<sup>3</sup> to domestic and commercial consumers. In the Riverhurst Irrigation District, 3,136 dam<sup>3</sup> were delivered to 8,255 acres of irrigation, 3,297 dam<sup>3</sup> to Ducks Unlimited and 120 dam<sup>3</sup> to

domestic and commercial consumers in 1999.

A supply canal in the Macrorie Irrigation District delivered 826 dam<sup>3</sup> to individual pumpsites serving 2,085 acres of irrigation.

### **Province's Irrigation Acres Increased**

Demand for irrigation assistance remained steady in 1999. State-of-the-art GPS equipment produces high quality designs and equipment plans for applicants all over the province. Thirty-six requests for technical assistance were received in 1999, 23 of which required preliminary engineering. These efforts resulted in an increase of 1,757 acres of new irrigation development in Saskatchewan.

### **Rip Rap Protects Pump Stations**

Lake Diefenbaker provides the perfect opportunity for tremendous wave action and erosion of unprotected banks. Some of this erosion was threatening the pumpsites at Riverhurst and Luck Lake. Rip rap slope protection, at a cost of approximately \$150,000, was constructed to counteract this erosion. This is an ongoing occurrence and will require vigilance in the future to ensure improvements are made in a timely fashion.

### **Probing Pipe Problems**

Sask Water is investigating the cause of pipe failures on the Luck Lake and Riverhurst irrigation projects. The majority of pipes are made up of a steel liner wrapped with high tensile steel wire and coated with a cement mortar. To date, 16 of these pipe sections have failed, due to what appears to be a chemical attack on the cement mortar.



*"The financial and technical support we receive from Sask Water allows us to continue our work on a whole host of irrigated crops and cropping practices. Thank you very much."*

*-Carl Siemens*

ICDC CHAIRMAN



*Sask Water's strong  
agronomic program  
provides growers with  
advice on everything from  
planting to harvesting  
to storage, ensuring  
irrigators produce the  
best crop possible.*

*Saskatchewan is one of  
the few areas left in North*

*America that can produce  
quality, disease-free*

# STRATEGIC PERFORMANCE REPORTING TO CROWN INVESTMENTS CORPORATION

Sask Water is a subsidiary Crown corporation of Crown Investments Corporation (CIC), the holding company for commercial Crown corporations. As such, Sask Water receives its strategic direction from CIC, whose board of directors are elected Cabinet ministers who represent the interests of the shareholder.

During 1999, CIC and its subsidiaries developed a Crown Sector Strategic Plan to provide long-term direction to the Crown sector and facilitate long-term planning. The plan includes a guiding vision statement for the Crown sector, its primary business purposes, common business values and strategic business objectives. Each Crown was directed to link the following five strategic objectives with its own corporate objectives to guide its business planning process:

- **Customer:** Exceed customer expectations for products and services.
- **Financial Health:** Position the entire Crown sector to prosper. Provide a return to the people of Saskatchewan that justifies the shareholder risk and investment in the overall sector.
- **Mandate & Role:** Incorporate the Crown sector's mission into each corporation's mandate and role. Strive to balance public accountability with each Crown corporation's need to operate in commercially competitive environments.
- **Public Purpose:** Strive to ensure access to reasonably and competitively-priced sector products and services on an equitable basis that might otherwise not be available to all or some of Saskatchewan's residents.

Contribute to social, economic and environmental public policies of the Government of Saskatchewan,

including: economic diversification and growth; representative workforces; skills training and development; technical innovation and development; and environmental responsibility and stewardship.

- **Human Resources:** Align human resources processes and practices to best deal with emerging sector-wide issues and that support achievement of individual Crown corporation strategies.

Sask Water supports the objectives identified in the Crown Sector Strategic Plan, and is developing specific corporate objectives, measures and targets in its Business Plan that are aligned with the shareholder's expectations in the areas of public policy, financial performance, customer satisfaction and innovation and growth. These areas form the quadrants of our Balanced Scorecard. The Crown Sector Strategic Plan and Balanced Scorecard together form an integrated short and long-term strategic performance management system.

The Balanced Scorecard system of performance management is a work in progress. Over the next few years, specific key objectives, measures and targets will be fully developed and implemented into Sask Water's business planning and performance monitoring cycles.

Sask Water encourages the implementation of practices that will enhance its public accountability by providing a greater degree of transparency in the results of its operations. With that, Sask Water is striving to fully develop its performance management system, and position itself to communicate its Balanced Scorecard targets and results no later than for its 2002 annual report.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

*This section is intended to provide further analysis of Sask Water's financial performance as shown in the financial statements and accompanying notes included in this annual report.*

## Corporate Overview

Sask Water's operations are structured along three lines of business:

### WATER MANAGEMENT AND PROTECTION (NON-UTILITY)

Sask Water acts as manager of the province's water resource and in this role develops management strategies, forecasts, allocates and approves water use for the benefit of all Saskatchewan people. Operation and maintenance of public policy water management infrastructure, such as dams and water control and conveyance works, is also a key activity.

### WATER SUPPLY AND TRANSMISSION (UTILITY)

The corporation is engaged in the supply of both treated and raw water to municipalities, industrial, commercial and agricultural customers and for wildlife and recreational purposes. As well, the corporation owns and operates a wastewater treatment facility serving two municipal and one industrial customer near Nipawin. These water supply and treatment and wastewater treatment works are operated on a utility approach, whereby operating and capital costs are recovered from customers on a long-term break-even basis.

### WATER-BASED ECONOMIC DEVELOPMENT

Sask Water has the responsibility to undertake water-based economic development programs on behalf of the province in order to develop and effectively use our water resource to strengthen and diversify the provincial economy. In addition to activities funded by provincial grants, since 1997, Sask Water has undertaken a number of activities directed towards development of the potato industry. These include crop sharing with growers to help reduce start-up capital requirements, provision of agronomic services and construction and operation of potato storage facilities.

## 1999 Financial Highlights

### WATER MANAGEMENT AND PROTECTION (NON-UTILITY)

In 1999, the non-utility incurred a \$226,000 net loss from operations compared to earnings of \$339,000 in

1998. While the focus of this segment of Sask Water's operations is to serve the public purpose of sound water management rather than profit generation, it is important that operations are conducted at a sustainable level given the financial resources available to this segment of the corporation, primarily *Water Power Act* revenues and industrial water use charges. Together these two water royalties accounted for \$10,328,000 or 81 per cent of total non-utility revenues. The net loss for the year stemmed from a one-time charge of \$427,000 to income for cumulative retirement allowance benefits negotiated in the corporation's recent collective bargaining agreement. Employees are eligible to receive this benefit upon retirement.

### WATER SUPPLY AND TRANSMISSION (UTILITY)

The utility recorded a net loss of \$594,000 on revenues of \$10,966,000 during the year. The loss was an increase of \$277,000 over 1998. These losses are related to the expected early year results of the Wakaw-Humboldt system which will be recovered through 30-year water supply contracts with key clients on this system. Excluding Wakaw-Humboldt, the utility had net earnings of \$1,292,000, down by \$375,000 due primarily to a downturn in sales to industrial potash and fertilizer customers.

Capital expenditures for the utility totalled \$1,549,000 with \$1,269,000 related to expansion projects such as the Pierceland water supply and treatment system and the Grand Coulee and Tower Hills water supply systems.

### WATER-BASED ECONOMIC DEVELOPMENT

Sask Water's water-based economic development grant program expenditures totalled \$2,357,000 and focused mainly on financial assistance paid out under the federal-provincial Partnership Agreement on Water-Based Economic Development (PAWBED), technical assistance provided to irrigators and agrological and administrative support for the Irrigation Crop Diversification Corporation.

The corporation's efforts to develop the province's potato industry through Sask Water's SPUDCO unit suffered a significant setback with an industry-wide downturn in potato prices through 1998 and 1999 and the financial failure of Lake Diefenbaker Potato Corporation (LDPC) in the spring of 1999. As owner of a fresh pak plant and table and seed potato grower, LDPC rented the majority of Sask Water's potato storage facilities. The impact to Sask Water as a result of LDPC's

bankruptcy is as follows: \$1.14 million long-term debenture has been written off; approximately \$1.12 million of trade receivables have been written off; and Sask Water reacquired the Lucky Lake Potato storage facility through enforcement of its security. To realize this security, Sask Water paid out \$1.25 million to the Royal Bank in accordance with an inter-creditor agreement and has recorded an additional \$1.67 million shortfall in expected recovery on the security. All of these impacts are unusual in nature and are not expected to recur in the normal course of operations.

In order to preserve the industry in Saskatchewan and the related employment and economic spin-offs, Sask Water undertook measures to purchase the fresh pak and then reach agreement in principle to sell the plant to Pak-Wel Produce of Alberta. This 'pass-through' sale was necessary due to the status and nature of the bankruptcy proceedings, the timing of events and the lack of separate property titles.

While substantial efforts were made by the corporation to minimize the losses due to the year's events, a \$3,733,000 loss from potato operations before unusual items was recorded in 1999. Including the unusual items noted above, this loss increased to \$8,908,000. As well, increased interest and amortization costs and decreased potato sales revenues also contributed to the year's disappointing results.

### **Outlook for 2000**

During the corporation's strategic planning process in 1999, six strategic goals were developed to guide the corporation's activities and initiatives into 2000 and future years:

- to restore the corporation's financial health
- to improve client service
- prioritize functions within mandate
- update legislative framework
- clarify roles, accountabilities and decision processes
- effectively communicate strategic and business plans

Given the corporation's negative financial results, especially in 1999, restoration of the corporation's

financial health will be paramount in 2000. At the end of 1999, Sask Water began discussions with Crown Investments Corporation to develop options with this goal in mind. In addition, work plans have been drafted with specific actions related to all six strategic goals. Highlighted below are key activities within each of the three lines of business related to these goals.

#### **WATER MANAGEMENT AND PROTECTION**

Investigations, design and construction to rehabilitate Sask Water's water management infrastructure projects are expected to increase in 2000 and future years. This work is crucial in order to maintain and enhance the province's economic and quality-of-life benefits flowing from continued use of the works, many of which are nearing the end of their intended useful lives. Steps to measure and improve client service delivery are also being developed. Work to develop action plans for the recently approved provincial Water Management Framework will continue in 2000.

#### **WATER SUPPLY AND TRANSMISSION**

In addition to operation of existing systems, completion of the Pierceland water supply and treatment project and commencement of operations is planned for early 2000. No major project development plans are currently envisioned, but ongoing investigations and construction of a number of smaller utility expansion and rehabilitation projects are likely.

#### **WATER-BASED ECONOMIC DEVELOPMENT**

With the current under-utilization of the potato storage assets, efforts will be concentrated on increasing storage clientele to realize on the provincial investment in these assets. Current potato market conditions, which are greatly improved over those of a year ago, along with reductions in storage rental rates to align the corporation's rates with those charged in other jurisdictions, are expected to assist in achieving this goal. The year 2000 represents the final year of the PAWBED agreement, and the corporation plans to complete its obligations under this agreement by year-end.



# MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management has prepared the consolidated financial statements of the corporation in accordance with generally accepted accounting principles. The financial data included elsewhere in this report is consistent with the financial statements and the underlying information from which the corporation prepared these consolidated financial statements.

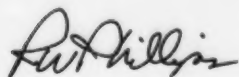
Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfil this responsibility, the corporation maintains appropriate systems of internal controls, policies and procedures. These systems provide reasonable

assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the corporation.

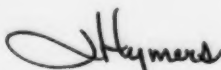
PricewaterhouseCoopers LLP, the corporation's external auditors, have examined the December 31, 1999 consolidated financial statements and their report follows.

The Board of Directors of Sask Water has examined and approved the statements.

*ON BEHALF OF THE CORPORATION,*



Wayne Phillips  
*ACTING PRESIDENT*



Terry Hymers  
*CORPORATE COMPTROLLER*

## AUDITORS' REPORT

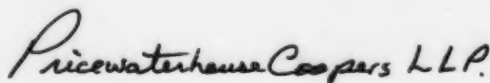
TO THE MEMBERS OF  
THE LEGISLATIVE ASSEMBLY  
PROVINCE OF SASKATCHEWAN

We have audited the consolidated statement of financial position of Saskatchewan Water Corporation as at December 31, 1999 and the consolidated statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by

management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Saskatchewan Water Corporation as at December 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



*CHARTERED ACCOUNTANTS  
REGINA, CANADA  
FEBRUARY 1, 2000*

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1999

1998

(Thousands of Dollars)

## Assets

### CURRENT ASSETS

Cash	\$ 260	\$ 102
Accounts receivable and advances	4,590	6,063
Inventory	1,283	1,881
Prepaid expenses and supplies	1,438	297
Current portion of long-term accounts receivable (note 3)	169	42

7,740 8,385

### LONG-TERM RECEIVABLES (NOTE 3)

702 7,748

### CAPITAL ASSETS (NOTE 4)

88,101 85,169

\$ 96,543 \$ 101,302

## Liabilities and Province of Saskatchewan's Equity

### CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 6,473	\$ 5,121
Notes payable (note 5)	15,677	7,700
Deferred funding (note 6)	1,293	1,706
Current portion of long-term debt (note 8)	592	559
Current portion of mortgages payable (note 9)	170	2,670

24,205 17,756

### DEFERRED REVENUE AND PREPAYMENTS (NOTE 7)

5,861 6,150

### LONG-TERM DEBT (NOTE 8)

37,435 38,496

### MORTGAGES PAYABLE (NOTE 9)

5,425 5,595

72,926 67,997

### PROVINCE OF SASKATCHEWAN'S EQUITY

Equity advance (note 10)	700	700
Contributed surplus	933	933
Retained earnings	21,984	31,672

23,617 33,305

\$ 96,543 \$ 101,302

### Commitments and Contingencies (note 13)

See accompanying notes

On behalf of the Board:

*Maynard Semteng*  
DIRECTOR

*Janet Falk*  
DIRECTOR



# CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS

YEAR ENDED OCTOBER 31

	1999	1998
(Thousands of Dollars)		
<b>REVENUE</b>		
Water	\$ 21,059	\$ 21,604
Interest	1,330	994
Amortization of deferred revenue	193	195
Potato sales	1,521	2,396
Rental income	1,017	1,453
Other	1,553	1,658
	26,673	28,300
<b>EXPENSES</b>		
Operations	17,087	16,233
Water Management	5,169	5,376
Amortization of capital assets	3,611	3,046
Interest (note 11)	5,359	4,465
	31,226	29,120
LOSS FROM OPERATIONS BEFORE UNUSUAL ITEMS	(4,553)	(820)
UNUSUAL ITEMS (NOTE 3)	(5,175)	-
LOSS FROM OPERATIONS	(9,728)	(820)
GRANTS FROM GENERAL REVENUE FUND	5,370	4,658
GRANTS TO CLIENTS (NOTE 12)	(5,330)	(4,897)
TRANSFER FROM DEFERRED FUNDING (NOTE 6)	413	216
PUBLIC POLICY EXPENDITURES (NOTE 6)	(413)	(216)
NET LOSS	(9,688)	(1,059)
RETAINED EARNINGS, BEGINNING OF YEAR	31,672	32,731
RETAINED EARNINGS, END OF YEAR	\$ 21,984	\$ 31,672

See accompanying notes

# CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED DIVIDEND \$1

1999 1998

(Thousands of Dollars)

## Operating Activities

Net loss	\$ (9,688)	\$ (1,059)
Charges and credits not affecting cash:		
Amortization of capital assets	3,611	3,046
Amortization of deferred revenue and prepayments	(442)	(562)
Amortization of premium	(43)	(43)
Sinking fund earnings	(167)	(127)
Gain on disposal of assets	(16)	(220)
Unusual items	1,669	-
Net changes in non-cash working capital balances relating to operations:		
Long-term receivables	1,110	(89)
Deferred funding	(413)	(216)
Deferred revenue and prepayments	196	165
Other	2,282	(118)
Cash (used in) provided by operating activities	(1,901)	777

## Investing Activities

Capital expenditures	(2,387)	(15,872)
Proceeds on disposal of assets	-	5,818
Cash used in investing activities	(2,387)	(10,054)

## Financing Activities

Long-term debentures	-	(7,289)
Proceeds from notes payable	7,977	7,700
Retire long-term debt and mortgages payable	(3,229)	(693)
Proceeds from long-term debt	-	8,427
Sinking fund instalments	(302)	(302)
Cash provided by financing activities	4,446	7,843
INCREASE (DECREASE) IN CASH	158	(1,434)
CASH, BEGINNING OF YEAR	102	1,536
CASH, END OF YEAR	\$ 260	\$ 102

See accompanying notes

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2000-2001-2002

## 1. Status of the Corporation

The Saskatchewan Water Corporation (the Corporation) was established on July 1, 1984, under the authority of *The Water Corporation Act*.

By virtue of *The Crown Corporations Act, 1993*, the Corporation has been designated as a subsidiary of Crown Investments Corporation of Saskatchewan (CIC). Accordingly, the financial results of the Corporation are included in the consolidated financial statements of CIC, a Provincial Crown corporation. As the Corporation is a Provincial Crown corporation, it is not subject to Federal or Provincial income taxes in Canada, but is subject to Provincial corporate capital tax.

In accordance with the provisions of *The Water Corporation Act*, the Corporation's general powers and purposes are to manage, control, develop and administer the use of all water resources in the Province of Saskatchewan in an economic and efficient manner, and to own and operate water-related works. In fulfilling its mandate, the Corporation has constructed various regional water supply utility systems and public policy water management and water supply works. The Corporation also delivers various economic development programs on behalf of the Province of Saskatchewan. In addition, the Corporation may provide financial assistance to various persons, communities and organizations to carry out its general powers and purposes.

The Corporation's activities are also governed by agreements with various agencies of the Government of Saskatchewan. The agreements provide, among other things, for the Corporation to receive revenue from the General Revenue Fund and other agencies to finance the acquisition of capital assets, to make payments of grants to clients, to make public policy expenditures and to fund operations. These activities are thereby dependent on funding from the General Revenue Fund.

## 2. Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles. The significant policies are as follows:

### CAPITALIZATION OF EXPENSES

Internally provided engineering and technical services are capitalized at standard labour rates designed to recover salaries, benefits and overhead. The objective of this policy is to recognize the approximate value of design, supervision and administrative services rendered by Corporation employees on construction projects. Internally provided services capitalized amounted to \$352,000 (1998 - \$567,000). As well, the Corporation capitalizes interest expense on debt relating to specific construction projects until they are substantially completed. During the year, \$0 (1998 - \$0) in interest was capitalized.

### GRANTS FROM THE GENERAL REVENUE FUND

Under the authority of Section 21 of *The Water Corporation Act*, the Corporation receives grants from the General Revenue Fund out of monies appropriated by the legislature. These grants are recorded as revenue when received and are used to fund grant programs and operations.

### GRANTS TO CLIENTS

Grants provided to clients for a variety of programs are recorded as an expense to the Corporation if the final approval for the grant payment was made during the year. Where the Corporation enters into contractual agreements for project construction under various assistance programs, expenditures are accounted for on an accrual basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOVEMBER 31, 1999

## INVENTORY

Inventory is stated at the lower of cost and net realizable value.

## CAPITAL ASSETS

Capital assets are recorded at cost to the extent that these costs are recoverable from future operations. Assets under construction are capitalized at cost, and are transferred to the appropriate asset category when construction is complete and the asset is in use. Assets are capitalized at cost net of any Federal government subsidies received for that specific purpose.

Amortization of capital assets is calculated at the following annual rates designed to amortize the recorded cost over the estimated useful lives of the capital assets. Assets under construction transferred to the appropriate asset category before June 30th are amortized for the full year, otherwise they are not amortized until the following year.

Capital Assets	Method	Rate
Buildings	straight-line	2.5% to 5%
Water facilities	diminishing balance or straight-line, as appropriate	2% to 30%
Maintenance and office equipment	diminishing balance or straight-line, as appropriate	10% to 30%

## POST RETIREMENT BENEFITS OTHER THAN PENSION

During the year, the Corporation established a benefit relating to a retirement allowance which is paid to eligible employees upon retirement. The Corporation has adopted the accrual method of accounting for this benefit whereby the cost of providing the benefits is recorded when the related services of employees are performed.

## BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of Sask Water and the following subsidiaries: Lucky Lake Potato Storage Inc., Riverhurst Potato Storage Inc. and Tullis Potato Storage Inc. During the year, the Corporation acquired the remaining shares of Riverhurst Potato Storage Inc. and Tullis Potato Storage Inc. for a total consideration of \$102. Sask Water now owns 100% of these potato storage companies.

## SEGMENTED INFORMATION

Revenue and expenses directly attributable to the utility, SPUDCO (Saskatchewan Potato Utility Development Company), and non-utility segments of the Corporation's activities are reflected in the results of operation of each segment. Also included is an allocation of general administrative expenses based on support services involvement with various segments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars)

## 3. Long-Term Receivables

Amounts in this account represent loans issued to various clients for economic development projects repayable over the next several years.

	1999	1998
	(Thousands of Dollars)	
Loans	\$ 871	\$ 501
Long-term debenture	-	1,479
Long-term debenture	-	3,000
Mortgage receivable	-	2,810
	871	7,790
Less: Current portion of long-term accounts receivable	(169)	(42)
	\$ 702	\$ 7,748

During the year, one of Sask Water's customers went into bankruptcy. As a result of this, \$1,140,000 of the long-term debenture was deemed to be uncollectible and has been written off.

In settlement of the long-term debenture of \$3,000,000 and mortgage receivable of \$2,810,000, Sask Water enforced its security through foreclosure and reacquired the Lucky Lake potato storage facility. However, the Corporation has estimated a short-fall in the overall recovery amounting to approximately \$1,669,000. In addition, as part of this settlement, Sask Water paid out approximately \$1,250,000 in accordance with the terms of an inter-creditor agreement. As well, \$1,116,000 of trade receivables have been judged as uncollectible.

All of these amounts are unusual in nature and are not expected to recur in the normal course of operations. Consequently, the total losses described above, amounting to \$5,175,000 have been disclosed separately in these financial statements.

## 4. Capital Assets

	1999			1998	
	(Thousands of Dollars)				
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	
Land	\$ 1,552	\$ -	\$ 1,552	\$ 1,552	
Buildings	20,259	1,054	19,205	15,745	
Water facilities	83,991	21,733	62,258	64,232	
Maintenance equipment	5,341	2,164	3,177	2,850	
Office equipment	1,479	1,185	294	264	
Assets under construction	1,615	-	1,615	526	
	\$ 114,237	\$ 26,136	\$ 88,101	\$ 85,169	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1999

## 5. Notes Payable

Due Date	Interest Rate	1999	1998
(Thousands of Dollars)			
March 31, 2000	5.02%	\$ 15,677	\$ -
March 31, 1999	4.95%	\$ -	\$ 7,700
		\$ 15,677	\$ 7,700

By Order-in-Council, Sask Water is authorized to borrow up to \$25,000,000 by way of temporary loans from the Province of Saskatchewan. At December 31, 1999, Sask Water has remaining borrowing ability of \$9,323,000 (1998 - \$17,300,000).

## 6. Public Policy Expenditures/Deferred Funding

As an agency of the Government of the Province of Saskatchewan, the Corporation incurs expenditures for various physical works for which it retains ownership. A public policy expenditure is recorded when such works do not directly produce sufficient revenue to finance their costs.

The majority of these expenditures relate to the Souris Basin and major irrigation projects.

The funding and related construction costs incurred from January 1, 1986 to December 31, 1999 are as follows:

	1999	Jan 1, 1986 to Dec 31, 1998	Total
(Thousands of Dollars)			
Funded by:			
Province of Saskatchewan			
- General Revenue Fund	\$ -	\$ 195,249	\$ 195,249
U.S. Government	-	62,222	62,222
Saskatchewan Power Corporation	-	20,300	20,300
Revenue Canada - GST rebate	-	2,309	2,309
	-	280,080	280,080
Construction costs	(413)	(277,608)	(278,021)
Transfer to deferred revenue and prepayments	-	(766)	(766)
Deferred funding	\$ (413)	\$ 1,706	\$ 1,293

Construction costs of the Souris Basin projects are funded by the General Revenue Fund, the U.S. Government and Saskatchewan Power Corporation. Amounts received in excess of expenditures incurred are recorded as deferred funding. Any amounts remaining at project completion are to be repaid to the General Revenue Fund.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

TABLE XI 1999

## 7. Deferred Revenue and Prepayments

Deferred revenue and prepayments, in part, represent revenue received from certain customers at the commencement of supply. These prepayments, which relate to the utility operation, are amortized into utility water revenue at 5% per annum on a straight-line basis or are matched against annual expenses.

Premium and issue costs relating to long-term debt are deferred and amortized on a straight-line basis over the term of the respective debt issue.

	1999	1998
	(Thousands of Dollars)	
Balance, beginning of year	\$ 6,150	\$ 6,589
Contributions received	196	165
Amortization of revenue	(193)	(195)
Amortization of premiums	(43)	(43)
Amortization of prepayments	(249)	(308)
Payout of capital replacement funds	-	(58)
Balance, end of year	\$ 5,861	\$ 6,150

## 8. Long-Term Debt

Year Payable	Interest Rate	1999	1998
		(Thousands of Dollars)	
1999	6.125%	\$ -	\$ 559
2000	6.625%	592	592
2001	6.875%	628	628
2002	7.000%	669	669
2003	7.250%	714	714
2004	7.375%	764	764
2005	7.500%	7,618	7,618
2006-2016	7.813%	14,219	14,219
2022	9.600%	15,000	15,000
		40,204	40,763
Less: Current portion of long-term debt		(592)	(559)
Less: Equity in sinking funds		(2,177)	(1,708)
		\$ 37,435	\$ 38,496

These loans are due in the year payable to the General Revenue Fund with interest payable semi-annually.

Minimum sinking fund instalments required over the next five years are \$218,000 per year.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1999-2000-2001

## 9. Mortgages Payable

Year Payable	Interest Rate	1999	1998
(Thousands of Dollars)			
1999	6.21%	\$ -	\$ 2,670
2000	6.21%	170	171
2001	6.21%	181	181
2002	6.21%	193	193
2003	6.21%	5,051	5,050
		5,595	8,265
Less: Current portion of mortgages payable		(170)	(2,670)
		\$ 5,425	\$ 5,595

These mortgages are due to the Canadian Imperial Bank of Commerce. Mortgages are up for renewal in March, 2003 and interest rate will be determined at that time. The security for these mortgages is the physical building, as well as the head lease between Sask Water and the Storage Company.

## 10. Equity Advance

The Corporation does not have share capital. However, the Corporation has received advances from CIC to form its equity capitalization. The advances reflect an equity investment in the Corporation by CIC.

## 11. Interest Expense

During 1999, the Corporation paid \$3,780,000 (1998 - \$3,909,000) in interest expense.

## 12. Grants to Clients

Included in expenses are grants or assistance provided to various persons, communities and organizations to carry out a variety of programs administered by the Corporation. In addition, where the condition of financial assistance for certain programs requires the Corporation to provide engineering or technical services, an allocation of salaries to grant expense is made. Particulars of these grants, including salary allocation of \$2,120,280 (1998 - \$2,147,247), by program, are as follows:

	1999	1998
(Thousands of Dollars)		
Drought (wells)	\$ 167	\$ 223
Irrigation Development	2,357	2,573
Municipal Water and Sewage	184	226
Flood Control and Drainage	2,358	1,642
Water Quality	264	233
	\$ 5,330	\$ 4,897

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1999

## 13. Commitments and Contingencies

### CONTRACTUAL COMMITMENTS

As of December 31, 1999, the Corporation has outstanding commitments of \$3,768,326 (1998 - \$3,201,539) for construction contracts and consulting agreements primarily relating to assets under construction.

### LEASES

The Corporation has entered into various operating lease agreements with the following minimum lease payments:

	(Thousands of Dollars)
2000	\$ 847
2001	770
2002	768
2003	767
2004	757
2005 and subsequent	2,237
	<u>\$ 6,146</u>

### LITIGATION

The Corporation is party to a number of lawsuits in the ordinary course of business. Management is confident that any significant contingencies arising from these lawsuits have been adequately provided for in these financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 14. Segmented Information

The non-utility segment of the Corporation includes the activities of water management and protection, and water-based economic development.

The utility segment is responsible for the development and operation of water and wastewater facilities, on a utility basis.

SPUDCO encourages economic development and job creation through increased potato production in Saskatchewan.

### STATEMENT OF OPERATIONS

	1999				1998			
	(Thousands of Dollars)							
	Non-Utility	Utility	SPUDCO	Total	Non-Utility	Utility	SPUDCO	Total
REVENUE								
Water	\$ 11,008	\$ 10,051	\$ -	\$ 21,059	\$ 11,014	\$ 10,590	\$ -	\$ 21,604
Interest	1,159	6	165	1,330	890	6	98	994
Amortization of deferred balances	-	193	-	193	-	195	-	195
Potato Sales	-	-	1,521	1,521	-	-	2,396	2,396
Rental Income	123	78	816	1,017	146	82	1,225	1,453
Other	491	638	424	1,553	552	619	487	1,658
	12,781	10,966	2,926	26,673	12,602	11,492	4,206	28,300
EXPENSES								
Operations	7,032	5,887	4,168	17,087	6,468	6,048	3,717	16,233
Water Management	5,169	-	-	5,169	5,376	-	-	5,376
Amortization	260	2,475	876	3,611	342	2,490	214	3,046
Interest	546	3,198	1,615	5,359	77	3,271	1,117	4,465
	13,007	11,560	6,659	31,226	12,263	11,809	5,048	29,120
EARNINGS (LOSS)								
FROM OPERATIONS								
BEFORE UNUSUAL ITEMS	(226)	(594)	(3,733)	(4,553)	339	(317)	(842)	(820)
UNUSUAL ITEMS	-	-	(5,175)	(5,175)	-	-	-	-
EARNINGS (LOSS)								
FROM OPERATIONS	\$ (226)	\$ (594)	\$ (8,908)	\$ (9,728)	\$ 339	\$ (317)	\$ (842)	\$ (820)
IDENTIFIABLE ASSETS	\$ 7,732	\$ 64,595	\$ 21,693	\$ 94,020	\$ 5,635	\$ 67,714	\$ 27,953	\$ 101,302

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 15. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms except for revenue which is at rates negotiated between Sask Water and related parties. These transactions, and amounts outstanding at year end, are as follows:

	1999	1998
	(Thousands of Dollars)	
Accounts receivable	\$ 2,457	\$ 2,339
Accounts payable & accrued liabilities	1,417	1,212
Revenue	11,598	11,299
Expenses	8,143	9,015

In addition, the Corporation pays Saskatchewan Education and Health Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other amounts and transactions due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

## 16. Financial Instruments

The Corporation's recognized financial instruments consist of cash, accounts receivable and advances, long-term receivables, accounts payable and accrued liabilities, long-term debt, mortgages payable and notes payable.

### CREDIT RISK

The Corporation is exposed to credit risk from the potential default of customers. However, approximately one-half of the Corporation's accounts receivable are from related parties, other government corporations and agencies.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1999

## FAIR VALUES

The fair values of short-term accounts receivable and all accounts and notes payable approximate their carrying value due to the short-term nature of these instruments.

	1999		1998	
	(Thousands of Dollars)			
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term accounts receivable	\$ 702	\$ 717	\$ 7,748	\$ 7,763
Long-term debt	40,204	42,444	40,763	42,125
Sinking fund	2,177	2,053	1,708	1,804
Mortgages payable	5,595	5,536	8,265	8,136

The estimated fair values of these financial instruments have been determined based on the following methods and assumptions, and may not represent the amounts that could be realized upon settlement.

All long-term debt obligations and long-term receivables are estimated using discounted cash flow analysis based on current incremental borrowing rates for similar borrowing arrangements.

## 17. Uncertainty Due to the Year 2000 Issue

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

## 18. Measurement Uncertainty

The Corporation has reviewed the carrying value of its potato storage facilities by comparing the net book value with the estimated future cash flows based on revised rental rates and estimated production. The expected future cash flows exceed the current carrying amount and therefore no write down of the carrying amount has been recorded. The analysis is based on management's estimates of future cash flows, formed on the basis of the best information available at the present time. Changes in the significant assumptions underlying the future cash flow estimates may have a material effect on future carrying values and operating results.

## 19. Comparative Figures

Certain of the comparative figures have been reclassified to conform with the current year's presentation.



*Sask Water signed lake stewardship agreements with the Stewards of English and McLean Lakes and the Stewards of Lake in 1999. These groups consist of year-round residents and cottagers who want to improve water quality in their lakes. Sask Water also continues to act as technical advisor*

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